



Mr.

April 28, 1982

Ken McManigal

Religious Exemption -

Church of Los Angeles

This is in response to your request that we review the April 6, 1982, letter, with attachments, from Mr. Richard Schorle, Los Angeles County Assessor's Office, concerning the availability of the religious exemption to that portion of the Church's property used by/for (Center).

Apparently, the Church's members established as a part of the Church's religious, charitable, and educational activities the Center and adopted a Charter (undated-unsigned copy attached) which sets forth the Center's purposes; namely, to help people:

1. To assist in gaining an accurate self understanding and to aid in identifying personal needs and resources available for help;
2. To explore ways to realize constructive changes in life in accordance with biblical precepts;
3. To redirect thought and behavior through God's power, utilizing appropriate counseling techniques;
4. To become stabilized in new, positive habits of living and to find contentment in life by establishing a purposeful and meaningful lifestyle;
5. To transfer principles of growth to other areas of life and thus become an initiator of Christian living that is substantive, progressive, and balanced.

Additionally, the Charter provides that the Center shall be governed by the Church's Board of Deacons, which will also determine all policies governing the Center, provides for a Counseling Commission which will establish guidelines to implement the policies, and states that no part of the net

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income or assets of the Center shall ever inure to the benefit of any director, trustee, officer, or member thereof, or to the benefit of any private person. It then concludes by stating that the Center shall operate by accepted standards of professional practice and assume responsibility for competent care of clients, and that decisions or actions relating to client care taken by the Center shall not be subject to review by the Church or any of its boards, nor shall the Church involve itself in direct, daily, Center operations.

The attached brochure describes the Center's purposes, the problems the Center is intended to address, the procedures the Center will use, etc., and states, among other things, the following:

1. The Center has been established as a subsidiary ministry of the Church.
2. The services of the Center are available to anyone, regardless of religious background.
3. The counseling ministry combines emphasis in psychological, medical, social, and spiritual disciplines to provide a balanced approach for those seeking help.
4. The Counseling staff is supervised by a resident medical director, who is a medical doctor certified by the American Board of Psychiatry and Neurology.
5. The medical director has completed a period of biblical study.
6. The Church's Senior Pastor serves as theological supervisor for the counseling program.
7. Counseling through the Center is distinguished from general pastoral counseling which is free and designed to assist those who attend public church services and who have made a commitment to the church fellowship.
8. Fees charged by the Center vary depending upon the credentials of the counselor. Fees are charged only for services and operating expenses since the Center operates as a nonprofit basis. The minimum cost is \$25 per session and the maximum cost is \$75 per session (for psychiatric appointments).

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The attached financial documents indicate that the medical director will receive 77 percent of amounts paid by regular fee clients, 50 to 77 percent of amounts paid by clients having insurance, 10 percent of the fees received by other counselors for his overall medical supervision, and an administrator's salary of \$6,000 per year until such time as an operations director is added to the staff. Projected operating expenses of \$17,800 are to be paid by the Center's operation charges to clients.

Finally, the attached 1982 Pacific Telephone Directory pages for West Los Angeles contain a listing for the Church, the Center, and the Church School under Churches and an additional listing for the Center and medical director under Marriage, Family, and Child Counselors:

As you are aware, AB 81/Stats. 1981, Ch. 542 created the "religious exemption" for property used exclusively for religious purposes/property owned and operated by a church and used for religious worship and for a church school or schools. Per Section 1 thereof, the purpose of the act is to provide a simple claims process for churches and church schools in filing for property tax exempt status, such that a church which operates a church school and which formally had to file a church exemption and a welfare exemption is now able to file a religious exemption for the entire property.

In this instance, however, we have a church, a church school, and the Center. Although chartered by the Church and portrayed as a ministry of the Church, for property tax exemption purposes, we believe that the Center is not incidental to and reasonably necessary for the Church's religious worship but is separate and distinct therefrom, particularly in view of the fact that the Church offers free general pastoral counseling to its worshipers; the fact that the Center's services are available to anyone regardless of religious background; and in view of those provisions of the Center's Charter providing that decisions or actions relating to client care taken by the Center are not subject to review by the Church or any of its boards, and that the Church shall not involve itself in the direct, daily Center operations.

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In addition, Revenue and Taxation Code Section 257 provides that for property to be eligible for the religious exemption, no part of any net earnings may inure to the benefit of any private individual. In spite of the similar statement of prohibition in the Center's Charter, the financial documents indicate that the medical director is benefiting financially as a direct result of his position with the Center, both from remunerations received from his clients and from remunerations received from clients of other counselors. In our view, again, for property tax exemption purposes, there is little, if any, difference between the medical director's engaging in his own, albeit church sanctioned, private counseling practice for remuneration and other private practitioners engaging in comparable practices, also for remuneration.

In conclusion, we believe that that portion of the Church's property used to house the Center is not eligible for the religious exemption. We also believe that it is not eligible for either the church exemption or the welfare exemption.

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cc: Mr. Gordon P. Adelman
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Mr. Verne Walton
Legal Section